



**The Real Estate Roundtable**

**STATEMENT OF PETER LOWY  
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**ON BEHALF OF  
THE REAL ESTATE ROUNDTABLE**

**BEFORE THE  
SUBCOMMITTEE ON ECONOMIC SECURITY, INFRASTRUCTURE PROTECTION,  
AND CYBERSECURITY  
OF THE COMMITTEE ON HOMELAND SECURITY  
U.S. HOUSE OF REPRESENTATIVES**

**HEARING ON  
“THE LONDON ATTACKS: PROTECTING CIVILIAN TARGETS  
FROM TERRORIST ATTACKS”**

**SEPTEMBER 7, 2005**

Good morning Mr. Chairman and Members of the Committee. Thank you for this opportunity to address you this morning.

My name is Peter Lowy and I am the Chief Executive of The Westfield Group. By way of reference, Westfield is in terms of equity market capitalization the world's largest publicly-traded real estate company with an equity market capitalization of over \$23 billion dollars. We own and operate 129 regional shopping malls in four countries – Australia, New Zealand, the UK and here in the US where we own 68 regional shopping centers and manage the retail concessions at 9 major airports including terminals at: JFK, Logan, Miami, Dulles and Reagan National.

I am testifying today on behalf of the Real Estate Roundtable<sup>1</sup>.

I think I am in a somewhat unique position to discuss this issue. As you may know, Westfield owned the leasehold on the retail mall at the World Trade Center prior to 9/11. Because of our involvement in the World Trade Center we unfortunately have direct knowledge of the issues that a terrorist attack can cause — whether they are personal, corporate, legal, economic or insurance related, as well as firsthand experience in trying to cope with the new reality that malls as public gathering places are considered to be targets for potential terrorist activity.

Because we view our malls as “town centers,” even prior to the recent events in London and before 9/11, Westfield was looking for more effective ways to keep our centers — and thus our customers and employees — safe. For instance, we had begun a nationwide program to (1) improve communication and coordination between ourselves and first responders and (2) photograph our centers and fully digitize them and the building plans — including those of the World Trade Center. The idea is to create a database that can be efficiently shared with responding governmental entities so that first responders can know very quickly where all the points of entrance and egress are — how to access the roof, the HVAC and other sensitive areas. We did this because we took on the view that while we may not necessarily be able to stop a terrorist event — we have an obligation to try to mitigate the damage one might cause in terms of death, injury and property damage.

As you know, the Port Authority offices were destroyed on 9/11 and all of the paper building plans were destroyed with it — so that the City and first responders were lacking the blueprints of the structures. We realized immediately after the attack that we had the plans digitized — however, we literally couldn't find anyone to give them to. Finally, 10 days after 9/11 and with the help of the Mayor's office we were able to get the plans to FEMA and OEM to assist rescue and recovery workers in their efforts. This experience caused us to place renewed emphasis on building solid lines of communication between ourselves and local police, fire, and emergency departments.

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<sup>1</sup> The Real Estate Roundtable is the organization that brings together leaders of the nation's top public and privately-held real estate ownership, development, lending and management firms with the leaders of major national real estate trade associations to jointly address key national policy issues relating to real estate and the overall economy. The Roundtable provides day-to-day operational staffing of the Real Estate Information Sharing and Analysis Center

There is no doubt that 9/11 accelerated our security program and we invest in technology, in people, in systems, in creating active working relationships with first responders — we sometimes even need to provide the technology that local authorities need in order to access and understand our information. In the US alone (since 9/11), 20% of our operating costs are now devoted to security, that's approximately \$40 million per year, and 20-25% of our operating capital expenditures have been diverted to security infrastructure. But, as I have alluded to, arguably the most important — and most challenging — piece of this is the most low-tech of all...basic communication between the private sector and the local and federal authorities.

Firstly, I recognize as a business person that building strong relationships between local authorities and other key agencies is a priority. That is why we have held table top exercises in our Los Angeles headquarters with the LAPD, LA Fire Department, FBI, DHS, US Secret Service, Los Angeles Sheriffs Department and other local emergency responders. We have also staged joint drills and training exercises with those authorities in the many local jurisdictions where we have shopping centers across the country. As an observer and a participant in this process, it has been my observation that one of the most difficult issues to solve is the lack of communication and coordination between ourselves, the local authorities and the FBI and the Department of Homeland Security. However, I understand that DHS has launched a new initiative in the form of placing in the field "Protective Security Advisors" to provide better coordination between Washington and the rest of the country. And there have been other outreach efforts including local Homeland Security Advisory Councils — which I have recently become involved in the greater-LA and Orange County region. These and other initiatives are important as the communication gap must be closed in order for prevention and response to be effective.

Nowhere is this more telling than in the threat-level system. While again progress has been made, we all know of instances where the level has been elevated without business leaders then hearing from the government what measures we ought to take in order to meet that higher level of threat.

Our security plans assume that the new, "normal" is a yellow alert level. However, we don't know if our normal operating systems are consistent with what the government might consider appropriate for a yellow threat level. So that if there is an incident at one of our centers, I can almost guarantee that someone will sue us and make the argument that we didn't operate up to par with what a company should be doing under a yellow alert. However, business often receives no indication of what threats we should be protecting against. And if they are identified, there is no standard for us to look to that tells us how to protect against that particular type of threat. While I am not looking to codify some new set of lengthy government regulations, it would be helpful to create for business some "safe harbor" in the event of litigation after a terrorist incident. One way DHS might assist business would be to publish a list of "best practices" tied to specific types of threats and then encourage insurers to incentivize them.

I have here an internal document that shows how a mall such as ours might deal with the various threat levels. This is obviously a sensitive document that I would be hesitant to put into the official public record but I would be very happy to review it and share it with the Members of the Committee and the staff if that is helpful to them.

Currently, insurers have incentives in place for certain building improvements to better protect the property in case of earthquake, flooding and other natural disasters. In theory, if insurers are provided guidance from federal or local authorities as to best practices in security — they can then in turn incentivize their policy holders. I am working with other CEOs around the country as a Member of the Advisory Board of Rand's Center for Terrorism Risk Management Policy where we are focusing on this issue of how insurance should function in the post 9/11 economy. Rand currently has a study that is underway which will look at the factors that affect the security decision-making of commercial real estate owners and will include insurance company incentives — or the lack thereof. I would be pleased to share the results of this research with the committee when they are available.

However, a recent Rand's study, "Trends in Terrorism" did touch on this subject. That report stated: "a long-run solution to terrorism should be designed to incorporate specific mechanisms, such as security-based premiums discounts, so that appropriate security investments can be encouraged through private insurance." Needless to say, in order for insurance to create incentives coverage needs to be available in the marketplace; so while I know its not the focus of this hearing I feel bound to remind you how important it is for Congress to extend the Terrorism Risk Insurance Act.

As part of their outreach to the private sector, I know that DHS has been working with industry groups and the Chamber to address the need for more specific guidelines to the color code system. Clearly, this is positive. I would simply urge that more communication with the business community — and especially businesses like ours which thrive on drawing large numbers of people to our properties — is necessary if we are to be truly prepared for an emergency situation.

The Rand "Trends in Terrorism" study has made it clear that the US Government's War on Terrorism has changed the operational environment of al-Qaeda and other terrorist groups to softer targets that are easier to attack and more likely to be in the private sector. This trend has been exacerbated by target hardening around prominent sites — which has triggered a process of threat displacement to the easier to attack, civilian-frequented locations.

In summary, it is my opinion that at the heart of any cooperative efforts between the government and the private sector lays clear and reliable lines of communication. With more direction from DHS as to "best practices" and with insurers showing a willingness to reward policy holders for instituting them, I believe business would spend their limited resources more wisely and with greater benefit to the public. If we accept that soft targets have in fact become more attractive to terrorist cells, then it is especially important that a vibrant private-public partnership continue to develop and from that provide the business community with the best tools possible to secure our properties and most especially our employees and customers.